Rotork p.l.c.

2011 Half Year Results

	HY 2011	HY 2010	% change	% change (organic constant currency)
Revenue	**£199.4m**	£183.5m	+8.7%	+7.9%
Operating profit	**£49.2m**	£47.4m	+3.8%	+5.2%
Profit before tax	**£49.6m**	£47.5m	+4.5%	+5.8%
Adjusted* profit before tax	**£50.7m**	£48.3m	+4.9%	+6.3%
Basic earnings per share	**40.9p**	38.8p	+5.4%	+7.2%
Adjusted* basic earnings per share	**41.7p**	39.5p	+5.6%	+7.6%
Interim dividend	**14.50p**	12.75p	+13.7%	
Second additional dividend	**11.50p**	-		

* Adjusted figures are before the amortisation of acquired intangible assets

Key Points

- Achieved record revenue in the period
- Order intake up 22.5%; record levels within each division
- Order book at a record high of £170m, up 22.4% from December
- Expansion of global presence with acquisition of VVA in Norway and Rotork Servo Controls in Mexico
- Broadening of product portfolio with post-period end acquisition of K-Tork in the US and Centork in Spain
- Dividend increased by 13.7% plus a second additional dividend declared

Peter France, Chief Executive, commenting on the results, said:

"Strong order intake during the first six months, a record order book and ongoing activity levels in our end markets mean that we expect to achieve full year revenue materially ahead of our prior expectations. Margins for 2011 are expected to be at similar levels to those seen in 2010."

For further information, please contact:

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Jonathan Davis, Finance Director

Financial Dynamics Tel: 020 7269 7291
Nick Hasell / Richard Mountain

Review of operations

Business Review

Rotork has performed well in the period, achieving record order intake and revenue. The order book is 5.0% higher than the previous record set in December 2008 and is 22.4% higher than last December at £170.1m. Order intake was 22.5% higher than the prior year, revenue at £199.4m was up 8.7% and profit before tax was 4.5% higher at £49.6m. Adjusted profit before tax, before the amortisation of intangible assets, was 4.9% higher at £50.7m.

The global market for actuators has remained strong and activity levels in the markets that we serve have remained positive. Rotork's position in the flow control market means that we benefit from infrastructure spend related to power and water as well as the active oil and gas sector. The level of project activity seen in 2010 has continued into 2011 and looks set to continue for the remainder of the year. All three divisions achieved strong order intake growth in the period. Geographically, the BRIC countries, the Middle East and Latin America, remain very active and important to our growth strategy.

Continuing raw material cost pressures have moderated the benefit of higher revenues. Whilst we can normally pass these increases on to our customers, there is often a delay between the rise and when this can be reflected in our pricing. Rotork Fluid Systems, and in particular Rotork Gears, saw the effect of this in the period. However, we expect margins in the second half to improve as mitigation of the cost increases, including value engineering, sourcing initiatives and a pricelist increase in Gears, start to have an impact.

We have made progress with our aim of developing the Rotork Site Services brand and we expect this to continue in the second half of 2011 and into 2012. The initiative to grow the number of actuators under preventative maintenance contracts continues and we have now secured agreements for a significant number of storage facilities in France. We are taking advantage of the temporary slowdown in the nuclear industry to continue to invest in the product development and certification required for this industry. The acquisition of Ralph A Hiller in 2010 is not expected to benefit the Group until 2012, as we continue to invest in the long term opportunities that this market offers.

Investment continues in the Rotork Innovation Design and Engineering Centre (RIDEC), based in Chennai, which is supporting our product development plan. The next stage of the project will be when the team moves into the purpose-built factory with R&D capability at the start of 2012. We continue to work on a number of product initiatives that will benefit the business in the second half of 2011 and into 2012.

In addition to the work being undertaken on our new Chennai factory, we began operation from our new Houston facility, providing extra capacity and capabilities to all three of the divisions. Our Gears business also completed its move to larger facilities in China, having outgrown its original factory.

The project to implement a new global IT system to provide a common platform for our sales and service companies is now underway. This will provide efficiencies within the sales and service companies as well as simplify the collection of information from across the Group. Although we have experienced delays in the introduction, we anticipate going live in November in Spain before the wider roll out in 2012 and 2013.

We have completed two acquisitions in the period, and a further two since the period-end, supporting our strategy of increasing market share by broadening our geographical and market reach and by increasing our product portfolio.

We continue to embed health and safety awareness throughout the organisation, with best practice disseminated across the Group and verified by a rolling programme of audits. The KPI we monitor for health and safety, accident frequency rate, has improved once again in the period. To emphasise the importance placed on health and safety, we have developed a DVD and booklet that will be used as part of the induction programme for all new employees.

Financial results

As anticipated, currency has been a headwind in the period but this has been more modest than expected, with a net impact on revenue of only £2.9m and £0.6m on operating profit. Revenue growth at constant currency is therefore 10.2% and adjusted profit before tax growth 6.1%. The US dollar was 6% weaker than the first half of last year and this was the key driver, with minimal change in the euro or the net position of all other currencies.

Cash balances at the period end are £7.7m lower than in December 2010 at £90.2m following the payment of £27.1m of dividends and a £2.1m cash outflow on acquisitions. The value of net working capital has risen by £14.7m since last year end, reflecting our higher activity levels and the increase in our current orderbook. Within working capital, trade receivables stand at 61 days sales outstanding, still below our 65 days target. Inventory is the element of working capital which has risen most significantly, up £9.9m, with net working capital now 25.8% of annualised revenue. This is expected to reduce again in the second half and should return to nearer the 23.2% reported last year end.

The Group effective tax rate has reduced to 28.8% as a result of declining tax rates in several jurisdictions and the mix of where our profits are made in the period. The lower tax rate means that basic Earnings per Share has grown 5.4% to 40.9p.

Operating Review

Our strategy remains to develop the business both organically and through acquisition. We continue to invest in new products that will benefit us in the second half of 2011 and into 2012. Global infrastructure spend remains positive, especially in China and India.

Rotork Controls

Sales revenue increased by 7.7% to £129.4m and the order book was a record for the division at £99.9m. The operating margin improved to 33.1%, 40 basis points higher than the first half of 2010, with the effect of operational gearing partly offset by increased overhead and material cost pressures, resulting in operating profit of £42.8m.

Project activity has remained strong and Rotork Process Control (RPC) has had a much better start to 2011 than 2010. The outlook for Controls, including RPC, remains positive, underpinned by good levels of quotation activity and project visibility.

A number of countries saw revenue higher than the prior year. The Netherlands benefited from the increased tank storage orders received in late 2010. Flow-Quip, the US business bought in November 2009, performed well in its targeted liquids pipeline market and Canada benefited from further investment in the tar sands region. Singapore, Malaysia and Korea all saw improved trading environments whilst in China and India, increased activity in water and power, as well as oil and gas markets, meant these businesses continued to perform strongly. The Rotork Site Services business grew and we have recruited more service engineers whilst maintaining our high utilisation levels.

In July 2011 we completed the acquisition of Centork in Spain for €3.6m, providing Rotork with a new electric actuator range that complements our existing products. Centork will utilise Rotork's engineering resource to continue to develop its high efficiency compact design actuators which are sold in various aligned industries, including the European water market. We also concluded the acquisition of RSCM in Mexico and VVA in Norway. These acquisitions bring an established site services business and will benefit all three divisions by providing increased sales coverage in these important markets.

Rotork Fluid Systems

Revenue increased by 7.6% over last year to £53.1m. However, due to increased overheads from developing our infrastructure to cope with higher trading volumes and low margin projects won under highly competitive conditions in 2010, operating margins reduced from 11.8% to 7.4% resulting in operating profit of £3.9m. Strong order intake, recovering sales margins, and the size of the order book, provide confidence that the second half of the year should see a return to more normal levels of profitability. Order intake is 31.0% higher than last year and the order book at the end of June, including the benefit of the acquisitions, was £61.2m, 33.4% up on the year-end total.

The oil and gas market has remained strong with investment seen across most of the geographical markets that we serve. The Middle East has remained an important area of growth and our investment in developing our presence in this market is already reaping benefits. Asia and Latin America have been active markets in the period, with Latin America benefiting from higher activity in mining. Across the division, the number of large projects we actively track is higher than a year ago, continuing the trend of recent years for larger scope projects. Our continued investment in facilities and our broad product portfolio enable us to support our customers with a complete solution to meet their needs.

Our investment last year in the main RFS plant in Italy has provided us with the ability to take advantage of this growing market and increase our market share. We have seen strong input and revenue growth in this business and we expect to see the improving results in Italy supported by a number of other subsidiaries in the second half. RFS also continues to develop its facilities in India and China with both now operational.

K-Tork Inc, a US company, was acquired in July for $10.6m, strengthening the position of RFS in the water, industrial and power sectors, as well as extending our product portfolio with the K-Tork vane actuator.

Rotork Gears

Gears saw improved trading, with revenue in the first half of 2011 up 17.6% at £21.5m and operating profit of £4.7m, 16.3% higher. Our recent cost reduction programmes and sourcing initiatives have been successful, however, this business saw higher raw material rises than the other divisions and as most sales are made under longer-term supply agreements, it takes longer to adjust the price to cover the negative impact of raw material increases. We are expecting to see improved margins in the second half of the year partly due to mid-year sales price increases. Order intake was 15.1% up on the comparative period, reflecting improving valvemaker activity and the result of sales initiatives.

The Gears operation in China moved to its new 2,300 square metre factory at the start of the year, enabling us to benefit from the further growth of this important market. Gears has focused on several geographic markets with high potential and has seen increased sales in both Russia and India. Rotork Gears has moved into its new facility in Houston that will serve as a major stocking and finishing centre for our products and will provide enhanced service to our US customers. We continue to invest in our product portfolio and will benefit from new product sales in the second half and into 2012.

Principal risks and uncertainties

The Group has an established risk management process which works within the corporate governance framework set out in the 2010 Annual Report & Accounts. We regularly review the principal risks and uncertainties facing our businesses and examine the potential impacts on our processes and procedures. The risk management process is described in detail on pages 22 and 23 of the 2010 Annual Report & Accounts. We identify risks in the form of strategic, operational and financial risks and set out improvements to our processes and procedures as necessary to adapt to these. There have been no changes to the principal risks and uncertainties from those identified in the 2010 Annual Report & Accounts which therefore continue to be applicable to the remaining six months of the year.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Rotork p.l.c. are listed in the Rotork p.l.c. Annual Report & Accounts for 31 December 2010. A list of current directors is maintained in the About Us section of the Rotork website: www.rotork.com.

Dividend

The interim dividend is to be increased by 13.7% to 14.5p per ordinary share and will be paid on 23 September 2011 to shareholders on the register at the close of business on 26 August 2011. Our dividend policy remains to grow core dividends generally in line with earnings and then supplement core dividends with additional dividends when projected cash requirements show we are able to do so. Following such a review, the directors also declare a second additional interim dividend of 11.5p per ordinary share to be paid on 16 December 2011 to shareholders on the register on 18 November 2011.

The 2010 final dividend of 19.75p per ordinary share was paid on 6 May at a cash cost of £17.1m and the additional dividend of 11.50p per ordinary share, declared in March 2011, was paid on 24 June at a cash cost of £10.0m.

Outlook

We have previously indicated that we expect the Group's performance in 2011 to be weighted towards the second half. Strong order intake during the first six months, a record order book and ongoing activity levels in our end markets mean that we expect to achieve full year revenue materially ahead of our prior expectations. Margins for 2011 are expected to be at similar levels to those seen in 2010.

By order of the Board

Peter France
Chief Executive
1 August 2011

Consolidated Income Statement

Unaudited

	Notes	First half 2011 £000	First half 2010 £000	Full year 2010 £000
Revenue	2	**199,415**	183,531	380,560
Cost of sales		**(104,846)**	(94,529)	(199,742)
Gross profit		**94,569**	89,002	180,818
Other income		**37**	9	83
Distribution costs		**(1,726)**	(1,661)	(3,604)
Administrative expenses		**(43,651)**	(39,937)	(79,513)
Other expenses		**(11)**	(2)	(60)
Operating profit before the amortisation of acquired intangible assets		**50,273**	48,209	99,442
Amortisation of acquired intangible assets		**(1,055)**	(798)	(1,718)
Operating profit	2	**49,218**	47,411	97,724
Financial income	3	**3,765**	3,378	6,931
Financial expenses	3	**(3,381)**	(3,318)	(6,800)
Profit before tax		**49,602**	47,471	97,855
Income tax expense	11			
UK		**(3,939)**	(3,840)	(8,616)
Overseas		**(10,324)**	(10,110)	(19,718)
		(14,263)	(13,950)	(28,334)
Profit for the period		**35,339**	33,521	69,521
		pence	pence	pence
Basic earnings per share	5	**40.9**	38.8	80.5
Diluted earnings per share	5	**40.8**	38.6	80.2

Consolidated Statement of Comprehensive Income and Expense

Unaudited

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
Profit for the period	**35,339**	33,521	69,521
Other comprehensive income and expense			
Foreign exchange translation differences	**2,894**	(1,319)	1,119
Actuarial gain in pension scheme	**-**	-	1,095
Effective portion of changes in fair value of cash flow hedges	**(803)**	570	674
Income and expenses recognised directly in equity	**2,091**	(749)	2,888
Total comprehensive income for the period	**37,430**	32,772	72,409

Consolidated Balance Sheet

Unaudited

	Notes	**30 June 2011 £000**	30 June 2010 £000	31 Dec 2010 £000
Property, plant and equipment		**27,143**	24,837	25,780
Intangible assets		**46,717**	43,016	43,990
Deferred tax assets		**11,594**	11,434	11,480
Derivative financial instruments		**-**	478	-
Other receivables		**1,339**	1,163	1,290
Total non-current assets		**86,793**	80,928	82,540
Inventories	*6*	**58,121**	44,581	48,241
Trade receivables		**76,126**	63,028	70,362
Current tax		**1,899**	1,937	2,398
Other receivables		**8,723**	7,623	6,684
Derivative financial instruments		**521**	987	918
Cash and cash equivalents		**90,202**	86,717	97,881
Total current assets		**235,592**	204,873	226,484
Total assets		**322,385**	285,801	309,024
Ordinary shares	*7*	**4,335**	4,331	4,334
Share premium		**7,431**	7,118	7,389
Reserves		**18,292**	13,657	16,201
Retained earnings		**184,518**	159,776	175,927
Total equity		**214,576**	184,882	203,851
Interest-bearing loans and borrowings		**125**	163	127
Employee benefits		**16,920**	21,537	19,752
Deferred tax liabilities		**3,719**	1,794	3,165
Derivative financial instruments		**-**	238	-
Provisions		**1,796**	1,967	1,968
Total non-current liabilities		**22,560**	25,699	25,012
Interest-bearing loans and borrowings		**23**	90	49
Trade payables		**31,431**	25,936	30,447
Employee benefits		**5,005**	5,378	8,220
Current tax		**15,186**	12,844	10,821
Derivative financial instruments		**1,001**	824	294
Other payables		**28,610**	26,213	26,334
Provisions		**3,993**	3,935	3,996
Total current liabilities		**85,249**	75,220	80,161
Total liabilities		**107,809**	100,919	105,173
Total equity and liabilities		**322,385**	285,801	309,024

Consolidated Statement of Changes in Equity

Unaudited

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2009	4,330	7,033	12,981	1,642	(217)	140,402	166,171
Profit for the period	-	-	-	-	-	33,521	33,521
Other comprehensive income							
Foreign exchange translation differences	-	-	(1,319)	-	-	-	(1,319)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	570	-	570
Total other comprehensive income	-	-	(1,319)	-	570	-	(749)
Total comprehensive income	-	-	(1,319)	-	570	33,521	32,772
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	(1,300)	(1,300)
Share options exercised by employees	1	85	-	-	-	-	86
Own ordinary shares acquired	-	-	-	-	-	(1,426)	(1,426)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,507	3,507
Dividends	-	-	-	-	-	(14,928)	(14,928)
Balance at 30 June 2010	4,331	7,118	11,662	1,642	353	159,776	184,882
Profit for the period	-	-	-	-	-	36,000	36,000
Other comprehensive income							
Foreign exchange translation differences	-	-	2,438	-	-	-	2,438
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	104	-	104
Actuarial gains and losses on defined benefit pension plans net of tax	-	-	-	-	-	1,095	1,095
Total other comprehensive income	-	-	2,438	-	104	1,095	3,637
Total comprehensive income	-	-	2,438	-	104	37,095	39,637
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	1,494	1,494
Share options exercised by employees	3	271	-	-	-	-	274
Own ordinary shares acquired	-	-	-	-	-	(1,450)	(1,450)
Preference shares redeemed	-	-	-	2	-	(4)	(2)
Dividends	-	-	-	-	-	(20,984)	(20,984)
Balance at 31 December 2010	**4,334**	**7,389**	**14,100**	**1,644**	**457**	**175,927**	**203,851**

Consolidated Statement of Changes in Equity (continued)

Unaudited

	Issued equity capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2010	4,334	7,389	14,100	1,644	457	175,927	203,851
Profit for the period	-	-	-	-	-	35,339	35,339
Other comprehensive income							
Foreign exchange translation differences	-	-	2,894	-	-	-	2,894
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(803)	-	(803)
Total other comprehensive income	-	-	2,894	-	(803)	-	2,091
Total comprehensive income	-	-	2,894	-	(803)	35,339	37,430
Transactions with owners, recorded directly in equity							
Equity settled share based payment transactions net of tax	-	-	-	-	-	(671)	(671)
Share options exercised by employees	1	42	-	-	-	-	43
Own ordinary shares acquired	-	-	-	-	-	(2,184)	(2,184)
Own ordinary shares awarded under share schemes	-	-	-	-	-	3,157	3,157
Dividends	-	-	-	-	-	(27,050)	(27,050)
Balance at 30 June 2011	4,335	7,431	16,994	1,644	(346)	184,518	214,576

Consolidated Statement of Cash Flows

Unaudited

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
Profit for the period	**35,339**	33,521	69,521
Amortisation of acquired intangibles	**1,055**	798	1,718
Amortisation of development costs	**366**	346	639
Depreciation	**2,139**	1,882	3,972
Equity settled share based payment expense	**609**	436	1,086
Net (profit) on sale of property, plant and equipment	**(26)**	(28)	(12)
Financial income	**(3,765)**	(3,378)	(6,931)
Financial expenses	**3,381**	3,318	6,800
Income tax expense	**14,263**	13,950	28,334
	53,361	50,845	105,127
(Increase) / decrease in inventories	**(8,625)**	3,513	489
Increase in trade and other receivables	**(5,538)**	(8,931)	(14,503)
Increase / (decrease) in trade and other payables	**2,812**	(1,316)	3,189
Difference between pension charge and cash contribution	**(2,490)**	(293)	(844)
(Decrease) / increase in provisions	**(614)**	417	385
(Decrease) / increase in employee benefits	**(4,365)**	(1,619)	507
	34,541	42,616	94,350
Income taxes paid	**(9,307)**	(12,782)	(26,186)
Cash flows from operating activities	**25,234**	29,834	68,164
Purchase of property, plant and equipment	**(3,319)**	(2,315)	(5,034)
Development costs capitalised	**(492)**	(308)	(1,018)
Proceeds from sale of property, plant and equipment	**169**	26	154
Acquisition of subsidiaries, net of cash acquired (note 12)	**(2,070)**	(5,621)	(5,621)
Interest received	**338**	154	483
Cash flows from investing activities	**(5,374)**	(8,064)	(11,036)
Issue of ordinary share capital	**42**	86	360
Purchase of ordinary share capital	**(2,184)**	(1,426)	(2,876)
Purchase of preference shares treated as debt	**-**	-	(4)
Interest paid	**(20)**	(48)	(88)
Repayment of amounts borrowed	**-**	(632)	(464)
Repayment of finance lease liabilities	**(35)**	(45)	(102)
Dividends paid on ordinary shares	**(27,050)**	(14,928)	(35,912)
Cash flows from financing activities	**(29,247)**	(16,993)	(39.086)
Net increase in cash and cash equivalents	**(9,387)**	4,777	18,042
Cash and cash equivalents at 1 January	**97,881**	78,676	78,676
Effect of exchange rate fluctuations on cash held	**1,708**	3,226	1,163
Cash, cash equivalents and bank overdrafts at end of period	**90,202**	86,679	97,881

Notes to the Half Year Report

1. Status of condensed consolidated interim statements, accounting policies and basis of significant estimates

General information

Rotork p.l.c. is a company domiciled in England.

The Company has its primary listing on the London Stock Exchange.

The condensed consolidated interim financial statements for the 6 months ended 30 June 2011 and 30 June 2010 are unaudited and the auditors have not reported in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

The information shown for the year ended 31 December 2010 does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006, statutory accounts for the year ended 31 December 2010 were approved by the Board on 28 February 2011 and delivered to the Registrar of Companies. The Auditors' report on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2010 are available from the Company's registered office or website – see note 15.

Basis of preparation

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as 'the Group').

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern

The Company has considerable financial resources together with a significant order book, with customers across different geographic areas and industries. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the business has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

Critical accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 31 December 2010.

1. Status of condensed consolidated interim statements, accounting policies and basis of significant estimates (continued)

Accounting policies

The accounting policies applied and significant estimates used by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2010.

New accounting standards and interpretations

The following amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2011:

- IAS 24 Related Party Disclosures revised definition of related parties
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Application of these standards and interpretations has not had a material impact on the net assets or results of the Group.

Future accounting developments

The following standards and interpretations were issued but are not yet effective and have not been adopted as application was not mandatory for the period (and in some cases not yet endorsed for use in the EU):

- IFRS 7 Financial Instruments: Disclosures
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IFRIC 14 (amendment) Prepayment of a Minimum Funding Requirement

The Directors anticipate that the adoption of these standards and interpretations will not have a material impact on the net assets or results of the Group.

2. Analysis by Operating Segment:

Half year to 30 June 2011

	Controls £000	Fluid Systems £000	Gears £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	**129,438**	**53,061**	**16,916**	**-**	**-**	**199,415**
Inter segment revenue	**-**	**-**	**4,543**	**(4,543)**	**-**	**-**
Total revenue	**129,438**	**53,061**	**21,459**	**(4,543)**	**-**	**199,415**
Operating profit before amortisation of acquired intangible assets	**42,861**	**4,885**	**4,658**	**-**	**(2,131)**	**50,273**
Amortisation of acquired intangibles assets	**(80)**	**(975)**	**-**	**-**	**-**	**(1,055)**
Operating profit	**42,781**	**3,910**	**4,658**	**-**	**(2,131)**	**49,218**
Net financing income						**384**
Income tax expense						**(14,263)**
Profit for the period						**35,339**

Half year to 30 June 2010

	Controls £000	Fluid Systems £000	Gears £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	120,162	49,309	14,060	-	-	183,531
Inter segment revenue	-	-	4,184	(4,184)	-	-
Total revenue	120,162	49,309	18,244	(4,184)	-	183,531
Operating profit before amortisation of acquired intangible assets	39,348	6,577	4,034	-	(1,750)	48,209
Amortisation of acquired intangibles assets	-	(768)	(30)	-	-	(798)
Operating profit	39,348	5,809	4,004	-	(1,750)	47,411
Net financing income						60
Income tax expense						(13,950)
Profit for the period						33,521

Year to 30 December 2010

	Controls £000	Fluid Systems £000	Gears £000	Elimination £000	Unallocated £000	Group £000
Revenue from external customers	243,361	106,838	30,361	-	-	380,560
Inter segment revenue	-	-	8,844	(8,844)	-	-
Total revenue	243,361	106,838	39,205	(8,844)	-	380,560
Operating profit before amortisation of acquired intangible assets	78,786	14,911	9,161	-	(3,416)	99,442
Amortisation of acquired intangibles assets	-	(1,659)	(59)	-	-	(1,718)
Operating profit	78,786	13,252	9,102	-	(3,416)	97,724
Net financing income						131
Income tax expense						(28,334)
Profit for the year						69,521

2. Operating segments (continued)

Revenue from external customers by location of customer

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
UK	**15,033**	15,498	24,277
Rest of Europe	**60,326**	57,728	121,595
USA	**38,082**	38,242	71,036
Other Americas	**16,609**	14,236	39,488
Rest of the World	**69,365**	57,827	124,164
	199,415	183,531	380,560

3. Net financing income

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
Interest income	**359**	189	540
Expected return on assets in the pension schemes	**3,338**	3,071	6,141
Foreign exchange gain	**68**	118	250
	3,765	3,378	6,931
Interest expense	**(29)**	(56)	(79)
Interest charge on pension scheme liabilities	**(3,240)**	(3,171)	(6,289)
Foreign exchange loss	**(112)**	(91)	(432)
	(3,381)	(3,318)	(6,800)

4. *Dividends*

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
The following dividends were paid in the period per qualifying ordinary share:			
19.75p *(2010: 17.25p)* final dividend	**17,065**	14,928	14,928
12.75p interim dividend	**-**	-	11,033
Additional dividend of 11.5p paid in July 2010	**-**	-	9,951
Additional dividend of 11.5p paid in June 2011	**9,985**	-	-
	27,050	14,928	35,912
The following dividends per qualifying ordinary share were declared / proposed at the balance sheet date:			
19.75p final dividend proposed	**-**	-	17,120
14.5p *(2010: 12.75p)* interim dividend declared	**12,571**	11,046	-
Additional dividend of 11.5p to be paid in July 2010	**-**	9,963	-
Additional dividend of 11.5p to be paid in June 2011	**-**	-	10,000
Additional dividend of 11.5p to be paid in December 2011	**10,000**	-	-
	22,571	21,009	27,120

5. *Earnings per share*

Earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and 86.5m shares *(six months to 30 June 2010: 86.4m; year to 31 December 2010: 86.4m)* being the weighted average ordinary shares in issue.

Diluted earnings per share is calculated using the profit attributable to the ordinary shareholders for the period and the weighted average ordinary shares in issue adjusted to assume conversion of all potentially dilutive ordinary shares under the Group's option schemes, Sharesave plan and Long-term incentive plan.

6. *Inventories*

	30 June 2011 £000	30 June 2010 £000	31 Dec 2010 £000
Raw materials and consumables	**35,075**	27,512	30,345
Work in progress	**10,131**	6,854	11,411
Finished goods	**12,915**	10,215	6,485
	58,121	44,581	48,241

7. Share capital and reserves

The number of ordinary 5p shares in issue at 30 June 2011 was 86,690,000 (30 June 2010: 86,637,000; 31 December 2010: 86,682,000).

The Group acquired 128,162 of its own shares through purchases on the London Stock Exchange during the period, (30 June 2010: 108,919; 31 December 2010: 198,464). The total amount paid to acquire the shares was £2,184,000 (30 June 2010: £1,426,000; 31 December 2010: £2,876,000), and this has been deducted from shareholders equity. The shares are held in trust for the benefit of Directors and employees for future payments under the Share Incentive Plan and Long-term incentive plan. All issued shares are fully paid.

Awards under the Group's long-term incentive plan and share investment plan vested during the period and 87,078 and 141,136 shares respectively were transferred to employees.

Employee share options schemes: options exercised during the period to 30 June 2010 resulted in 8,731 ordinary 5p shares being issued (30 June 2010: 24,641 shares), with exercise proceeds of £43,000 (30 June 2010: £86,000). The related weighted average price at the time of exercise was £17.19 (30 June 2010: £12.71) per share.

8. Related parties

The Group has a related party relationship with its subsidiaries and with its directors and key management. A list of subsidiaries is shown in the 2010 Annual Report & Accounts. Transactions between key subsidiaries for the sale and purchase of products or between the subsidiary and parent for management charges are priced on an arms length basis.

Sales to subsidiaries and associates of BAE Systems plc, a related party by virtue of non-executive director IG King's directorship of that company, totalled £nil during the period to 30 June 2011 (First half 2010: £nil; Full year 2010: £21,000) and there were no amounts outstanding at 30 June 2011 (30 June 2010: £Nil; 31 December 2010: £Nil).

Key management emoluments
The emoluments of those members of the management team, including directors, who are responsible for planning, directing and controlling the activities of the Group are:

	First half 2011 £000	First half 2010 £000	Full year 2010 £000
Emoluments including social security costs	**1,852**	1,393	2,990
Post employment benefits	**199**	189	370
Share based payments	**451**	390	755
	2,502	1,972	4,115

9. Interest-bearing loans and borrowings

The following loans and borrowings were issued and repaid during the six months ended 30 June 2011:

	Currency	Interest rate	Carrying value £000	Year of maturity
Balance at 1 January 2011			176	
Movement in the period:				
Repayment of finance leases	Eur	3% - 10%	(35)	2011-13
Currency adjustment			7	
Balance at 30 June 2011			**148**	

10. Share-based payments

A grant of shares was made on 4 March 2011 to selected members of senior management at the discretion of the Remuneration Committee. The key information and assumptions from this grant were:

	Equity Settled TSR condition	**Equity Settled EPS condition**
Grant date	4 March 2011	4 March 2011
Share price at grant date	£17.04	£17.04
Shares / Share equivalents under scheme	63,985	63,985
Vesting period	3 years	3 years
Expected volatility	36.3%	36.3%
Risk free rate	1.8%	1.8%
Expected dividends expressed as a dividend yield	1.9%	1.9%
Probability of ceasing employment before vesting	1% p.a.	1% p.a.
Fair value	£9.88	£16.11

The basis of measuring fair value is consistent with that disclosed in the 2010 Annual Report & Accounts.

11. Income taxes

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year ended 31 December 2011 is 28.8% (the effective tax rate for the year ended 31 December 2010 was 29.0%).

The Group continues to expect its effective corporation tax rate to be slightly higher then the standard UK rate due to higher tax rates in the US, Canada, France, Germany, Italy, Japan and India.

12. Acquisitions

On 6 April 2011 the Group completed the acquisition of 99.9% of the share capital of Rotork Servo Controles de Mexico S.A. de C.V. ("RSCM"), its Mexican sales and service agent, that it did not already own.

On 8 June 2011 the Group acquired 100% of the share capital of Valco Valves & Automation AS, the Norwegian sales and service agent from Valco Group AS.

The two acquisitions had the following effect on the Group's net assets.

	Provisional **£000**
Pre-acquisition net book amounts	**1,777**
Alignment of accounting policies	**(148)**
Acquired Intangible assets	**2,129**
Fair value adjustments	**(515)**
Provisional fair value	**3,243**
Goodwill on acquisition	**667**
Fair value of purchase consideration	**3,910**
Less: Deferred consideration included in provisions	**(400)**
Purchase consideration settled in cash	**3,510**
Cash acquired with businesses	**(1,440)**
Cash outflow on acquisition	**2,070**

The intangible assets identified comprise customer relationships and the acquired order books.

Goodwill has arisen as a result of the value attributed to staff expertise and the assembled workforce, which did not meet the recognition criteria for an acquired intangible asset.

13. Post balance sheet event

On 15 July 2011 the Group acquired 100% of the share capital of Centork Valve Control S.L. ("Centork") based near San Sebastian, North East Spain for cash consideration of £3.2m.

On 21 July 2011 the Group acquired 100% of the share capital of K-Tork International Inc., based in Dallas, Texas, USA for cash consideration of £6.5m.

The provisional combined net asset value of the acquisitions is £2.9m.

14. Shareholder information

This interim report is being sent to shareholders who requested it and copies are available to the public from the Registered Office at the address below. The interim report is also available on the Rotork website at www.rotork.com.

General shareholder contact numbers:
Shareholder General Enquiry Number (UK): 0871 384 203
International Shareholders – General Enquiries: (00) 44 121 415 7047

For enquires regarding the Dividend Reinvestment Plan (DRIP) contact:

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15. Group information

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